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HEADLINE: Enron's earnings skyrocket 29 percent in fourth quarter

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BODY:

Enron Corp. reported a 29 percent jump in fourth-quarter earnings Tuesday as its retail services business recorded its first profit right on schedule.

The Houston company's retail services division handles retail sales of electricity and natural gas as well as energy management services. The group sells directly to major buyers, including such companies as Polaroid.

The retail services division made its first splash with television ads during the Super Bowl in 1998, at the time an unusual move for a company such as Enron. Since then, the fast-growing division has lost \$ 187 million, even though it signed \$ 8.5 billion in contracts during 1999 alone.

The company fulfilled its prediction that the retail services division would be in the black in the fourth quarter. It earned \$ 7 million.

"This business has reached critical mass in contracting activity and service capabilities, and profitability is expected to accelerate rapidly," Enron Chairman Ken Lay said in a written statement.

Overall, the company had fourth-quarter net income of \$ 259 million, or 31 cents per share, on revenues of nearly \$ 11 billion. That compared with net of \$ 176 million, or 25 cents per share, on revenues of \$ 7.7 billion in the fourth quarter of 1998. The 1998 quarter's net income included a one-time gain of \$ 45 million and a one-time loss of \$ 40 million.

The company matched analysts' expectations for the quarter to the penny, according to the average of earnings estimates compiled by First Call/Thomson Financial.

Enron's fourth-quarter results held no surprises for investors. The company will be making a presentation to analysts on Thursday, at which it is expected to lay out its long-term strategy for its growing telecommunications business.

"The numbers looked good," said Carl Kirst, energy analyst with Jefferies & Co. in Houston. "They delivered a profit in the retail division, and that was important."

The modest profit does not mean the retail group is finished with start-up costs. As the company expands its retail services operations into international markets, Enron is likely to have more up-front expenses, Kirst said.

For all of 1999, Enron reported net earnings of \$ 957 million, or \$ 1.10 per share, compared with \$ 698 million, or \$ 1.01 per share, in 1998, after removing onetime items. Revenues grew from \$ 31.3 billion to \$ 40.1 billion.

Enron's stock closed Tuesday at 55 1/2, down 7/8.

The star performer at Enron for the quarter - as has been the case every quarter of 1999 - was the wholesale energy operations and services division, which includes natural gas and power sales as well as energy finance.

The wholesale group had fourth-quarter operating earnings of \$ 263 million, compared with \$ 201 million in the fourth quarter of 1998. For all of 1999, the wholesale group increased its operating income 36 percent to \$ 1.3 billion from 1998's \$ 968 million.

The company's transportation and distribution group, which includes Enron's natural gas pipelines as well as its electric utility Portland General Electric, had fourth-quarter operating earnings of \$ 202 million, compared with \$ 168 million during the fourth quarter of 1998.

During the fourth quarter of last year, Enron struck a deal to sell Portland General Electric to Sierra Pacific Resources, a holding company that operates electric utilities in the Lake Tahoe area, for \$ 2.1 billion. That deal is expected to close this year, the company said Tuesday.

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